CHILD CARE

A Better Alternative

a report by the
national council of welfare

december 1988

Canada

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INTRODUCTION

A child care crisis was identified as long as 18 years ago by the Royal Commission on the Status of Women in Canada. In its 1970 report, the Commission said:

> "The time is past when society can refuse to provide community child services in the hope of dissuading mothers from leaving their children and going to work. We are faced with a situation that demands immediate action."[1]

In 1984, Judge Rosalie Abella, in the report of the Royal Commission on Equality in Employment, again pointed to the urgent need for action on child care. She said:

> "Child care is not a luxury, it is a necessity. Unless government policy responds to this urgency, we put women, children and the economy of the future at risk. Considering that more than half of all Canadian children spend much of their time in the care of people other than their parents, and that more than half of all parents need child care services for their children, social policy should not be permitted to remain so greatly behind the times."[2]

The same year, the federal government appointed the Task Force on Child Care, chaired by Katie Cooke, to examine and assess the need for child care and parental leave in Canada. The Task Force issued its report and recommendations, accompanied by a series of 20 background papers, in March 1986.

The federal government chose to take no immediate action on those recommendations. Instead, it appointed a committee of Members of

Parliament to study the problem. The Special Committee on Child Care, chaired by MP Shirley Martin, issued its report in March 1987.

Following that report, Ottawa entered into negotiations with the provinces and territories to develop a "national strategy" on child care. The strategy was announced by the federal government in December 1987. Details of some parts of the strategy still have to be worked out with the provinces and territories. Part of it, in the form of an increase in the child care expense deduction and the refundable child tax credit, was announced in the federal budget speech of February 10, 1988, and was enacted for the 1988 tax year. A new Canada Child Care Act, covering child care spaces in licensed centres and family homes, was introduced in Parliament in July 1988 but failed to become law before a federal election was called for November 21, 1988.

This report outlines existing arrangements for child care, with emphasis on low-income families; assesses the strengths and weaknesses of the new federal strategy; and proposes an alternative approach that we believe would be better for children and parents alike. To place these different proposals in context, it is necessary first to understand the origins of the child care crisis and the way in which government funding is currently used to support child care services.

THE PRESENT CHILD CARE SYSTEM

The Child Care Crisis

When the Royal Commission on the Status of Women was writing its report at the end of the 'sixties, only 20 percent of mothers with children under the age of 14 were in the work force. In the years since, Canadian women have been entering the paid labour force at a phenomenally rapid rate. By 1987, 65 percent of mothers with children under age 16 worked outside their homes. In fact, 57 percent of mothers with children under the age of three were in the paid work force and, contrary to public perception, most of them had full-time jobs.

Our child care system has not kept up with these changes. Although the number of spaces in licensed centres and licensed family homes more than doubled from 109,141 in 1980 to 243,545 in 1987, the demand for adequate child care still far exceeds the supply.

Table 1 on the next page shows the number of licensed child care spaces in each province and territory in 1987, the estimated number of children under age 13 whose parents worked outside the home more than 20 hours a week or studied full-time, and the percentage of those children who actually got licensed care.[3]

More than 1.9 million children under age 13 needed some form of care because their parents worked or studied outside the home, yet there were licensed child care spaces for only 243,545 - just 13 percent of the total number of children. The lowest percentage was in Newfoundland, whose 1,318 licensed spaces amounted to a mere four percent of the 30,998 children under 13 with parents outside the home. The highest was in Alberta, which provided 43,082 licensed spaces for 20 percent of the children needing care.

TABLE 1

LICENSED CHILD CARE SPACES AND CHILDREN OF WORKING OR STUDYING PARENTS, 1987

	Number of Licensed Child Care Spaces	Number of Children Under 13 With Parents Outside the Home	Percentage of Children Under 13 In Licensed Child Care
British Columbia	18,595	184,631	10%
Alberta	43,082	213,452	20
Saskatchewan	5,720	84,586	7
Manitoba	10,526	76,916	14
Ontario	94,018	766,751	12
Quebec	58,425	479,355	12
New Brunswick	4,503	44,041	10
Nova Scotia	5,397	48,298	11
Prince Edward Island	1,264	8,135	16
Newfoundland	1,318	30,998	4
Northwest Territories	240	-	-
Yukon	475	-	-
TOTAL	243,545	1,937,163	13%

Child Care Options

It is important to understand the difference between licensed and unlicensed child care. Licensed child care means that the service is regulated by a provincial or territorial government and must meet the standards set by that jurisdiction in areas such as health and safety, group size, available space and child-staff ratios. Some, but not all governments have educational or training requirements for child care workers.

Licensed child care may be provided in day care centres or in family day care homes, where a care-giver looks after a small number of children in her own home. Licensed homes are the preferred option for infant day care.

Day care centres account for the vast majority of the licensed child care spaces in Canada. All centres have to be licensed.

Family day care homes may be licensed or unlicensed depending on the wishes of the care-giver, and many of them are unlicensed. Unlicensed facilities are largely unregulated by provincial and territorial governments, although governments do set limits on the number of children who may be looked after in a private home.

The shortage of licensed spaces and the high cost of licensed care mean that the vast majority of families needing child care services have to rely on unlicensed or informal care. Services in the informal market range from the live-in nanny for the privileged few who can afford it to the babysitter down the street who looks after several children in her own home. Some of these services are no doubt excellent. Others may be poor, dangerous to the health and safety of the children or even illegal - such as the case where the number of children cared for in a private home exceeds the limits set by the provincial or territorial government.

Government Funding for Child Care

A modest amount of public funding is currently being directed to child care. The latest available figures, for the 1986-1987 fiscal year, show government spending in excess of $682 million.[4]

TABLE 2

GOVERNMENT SUPPORT FOR CHILD CARE, 1986-1987 FISCAL YEAR

Federal	Government Spending ($ millions)	Percentage of Total
Canada Assistance Plan	$136	20%
Training Subsidies	51	7
Care on Indian Reserves	6	1
Child Care Expense Deduction	170	25
Subtotal	$363	53%
Provincial & Territorial		
Canada Assistance Plan	$136	20%
Other Day Care Subsidies	113	17
Child Care Expense Deduction	70	10
Subtotal	$319	47%
TOTAL	$682	100%

The federal government spent $136 million on matching grants to the provinces and territories for subsidized child care provided under the Canada Assistance Plan, $51 million on child care subsidies for parents taking training courses sponsored by Employment and Immigration Canada, and $6 million for child care on Indian reserves. Ottawa also gave parents a total of $170 million in federal income tax savings through the child care expense deduction.

Provincial and territorial governments spent $136 million on subsidized child care provided under the Canada Assistance Plan,

$113 million on child care subsidies that fell outside the plan, and approximately $70 million in provincial income tax savings through the child care expense deduction.

All in all, about two-thirds of government spending on child care - $442 million in 1986-1987 or 65 percent of the total - went to subsidize the cost of care, largely for low-income families. However, a sizable portion - $240 million or 35 percent - benefitted mainly middle and upper-income families who could provide the receipts required to claim the child care expense deduction and thereby reduce their federal and provincial income taxes.

In fact, more money is spent on tax breaks for child care than Table 2 indicates, because it does not include tax benefits given by the Quebec government. Unlike other provinces and territories which have tax collection agreements with the federal government (under which Ottawa collects provincial income taxes that it turns over to the provinces), Quebec operates its own provincial income tax system. It offers parents a provincial child care expense deduction, a tax credit known as an availability allowance, and a new program called APPORT designed to cover about half of the child care expenses of low-income working parents.[5] Total government support for child care would be significantly higher than $682 million if the Quebec tax expenditures were included.

Child Care and Low-Income Families

Although governments spend hundreds of millions of child care dollars a year through the income tax system, most public funding for child care is given in the form of subsidies to low-income families. As a

result, publicly funded child care has come to be seen as a welfare service and not a program to which all children should have access.

Ironically, most families with low incomes who qualify for subsidized child care under the existing system do not in fact get the services to which they are entitled. One major reason for this is there are just not enough licensed spaces available; in order to receive a subsidy, parents must find a licensed space. The problem is that government funding concentrates on subsidizing parents and not on creating the spaces their children need. Current federal-provincial arrangements do not allow for cost-sharing the capital costs involved in building child care centres or buying equipment for them.

To understand how low-income families benefit - or do not benefit - from government funding of child care, it is necessary to understand how the Canada Assistance Plan works. This is a very complex program, so we will look only at its broad outlines.

The Canada Assistance Plan (CAP for short) allows the federal government to pay 50 percent of provincial and municipal costs in providing social assistance to persons "in need" and social services to those "in need" or "likely to become in need" if they do not receive such services, including child care.

CAP is sometimes called an "open-ended" plan because there are no fixed limits on the amount of federal money that can be spent in any given year. Provincial and territorial governments decide what level of benefits they are going to provide, and whatever they spend under the plan is matched automatically by the federal government.

There are two different sections of the Canada Assistance Plan legislation authorizing the payment of subsidies for child care. The

eligibility requirements for families receiving subsidies are different under each section.

Under one section of the legislation, provinces and territories establish tests to determine whether a family is "in need". These "needs tests" generally take into account what a family must spend on living expenses, debt repayment, expenses connected with work and so on. The tests used to determine eligibility for welfare payments may be more stringent than those used to determine eligibility for subsidized child care. As a result, people receiving subsidized child care services because they are "in need" are not necessarily on welfare, although many are.

Once it has been established that a family is in need, a province may decide to increase the amount of the family's welfare cheque so that it can pay for child care itself, or the province may decide to purchase the service on behalf of the family. Whichever way it is done, the cost incurred by the province will be shared by the federal government.

For welfare recipients and others "in need," CAP allows payments for child care in both non-profit and profit-making licensed centres and homes.

Under a different section of the Canada Assistance Plan, the federal government shares certain child care costs for people in need and also for people likely to become in need. Income tests are normally used under this section to determine who qualifies for help.

The federal, provincial and territorial governments each set their own income guidelines that determine who is eligible for full and partial child care subsidies from CAP. The federal guidelines have traditionally been well above most of the provincial and territorial guidelines. In

other words, Ottawa could allocate much more money for child care under CAP if the provinces and territories were more generous to parents.

In 1987, the federal government would have been willing to provide fully subsidized child care for a two-parent family with two children with net family income up to $33,088 a year. Partial subsidies would have been available until family income hit $48,132 a year. By way of comparison, the estimated average income for two-parent families in 1987 was $48,400.

In actual fact, Newfoundland paid full subsidies for families with incomes up to only $10,044 a year and partial subsidies for those between $10,045 and $16,164 in 1987. Ontario had limits that varied from municipality to municipality, providing full subsidies for families with incomes as high as $34,164 in some communities and partial subsidies for those with incomes as high as $45,190.

A complete list of the 1987 income limits for full and partial subsidies from the Canada Assistance Plan is presented in Appendix B.

Some governments subsidize the entire cost of child care for parents who qualify for full subsidies. Others set maximum daily rates for their subsidies - an arrangement that often works to the detriment of poor families. When the cost of care is more than the maximum subsidy, low-income parents have to make up their difference out of their own pockets. In some cases, however, licensed operators provide a kind of "stripped-down" care that qualifies for the maximum subsidy but is of poorer quality.

The Cooke Task Force calculated that a single mother with two young children in licensed care faced out-of-pocket expenses of $2,102 a year in British Columbia in 1984, $1,790 in Saskatchewan and $1,670 in

Quebec.[6] That is grossly unfair for families who are already living many thousands of dollars below the poverty line and who already have enormous difficulties paying for food, clothing and shelter.

Finally, there is no guarantee that a subsidized space will be available even if a family passes a needs test or an income test. In some communities across Canada, there are waiting lists several years long for subsidized spaces.

A study commissioned by the Special Committee on Child Care compared the percentage of families with preschool children eligible for full or partial child care subsidies with the percentage of families actually receiving subsidized care. Only 29 percent of the preschool children of working parents eligible for a full child care subsidy in 1987 were actually receiving it. Access to subsidized care varied widely from one province to another. In Ontario, for example, only 12 percent of the preschool children eligible for a full subsidy actually received it.

On a national basis, only 15 percent of those eligible for either a full or a partial subsidy in 1987 actually received assistance. In Ontario, only 10 percent of the children eligible for either a full or partial subsidy received it. Comparable figures in other parts of the country were 20 percent in Atlantic Canada, 14 percent in Quebec, 21 percent in Manitoba, 13 percent in Saskatchewan, 31 percent in Alberta and 45 percent in British Columbia.[7]

The shortage of spaces and the lack of full subsidies force many low-income parents to consider child care alternatives that are often far from ideal. Some parents make their own informal arrangements with relatives, friends or neighbors. Some leave their children unsupervised more often than they would like. And some who would prefer to work in

the paid labour force remain at home instead, sometimes on welfare. The lack of adequate child care is a major obstacle to single mothers on social assistance, preventing them from returning to the work force or taking the training or upgrading courses they need to get a job.

THE NEW FEDERAL CHILD CARE STRATEGY

Following consultations with the provinces and territories, the federal government announced its new strategy for child care on December 3, 1987. The strategy is a combination of increased tax breaks for parents and subsidies for child care services.

The enriched tax breaks were enacted by Parliament as part of a larger package of tax changes and went into effect beginning with the 1988 tax year. Parents will be able to claim these benefits when they file their 1988 income tax returns in early 1989.

Companion legislation covering child care in licensed centres and family homes was introduced in Parliament on July 25, 1988, but it had not received final approval by the time Parliament was dissolved for the federal election of November 21, 1988. As a result, the legislation died.

Child care legislation is almost certain to be introduced early in the life of the new Parliament. Just what form that legislation will take is impossible to predict.

The cost of the federal strategy to both levels of government is not known precisely, but it would likely approach $2 billion a year at the end of the initial seven years of the program. Our best estimate is that more than $1.2 billion a year would be spent on child care and about $680 million on tax benefits.[8]

The most important features of the strategy are as follows:

* Parents with children six years old or younger who do not have receipts for child care and who qualify for the refundable child

tax credit will get up to $100 a child added to their refundable child tax credit for 1988 and up to $200 a child for 1989 and subsequent years. This supplement will be payable whether or not the family has children in child care.

* The child care expense deduction for parents with receipts for child care has been doubled to a maximum of $4,000 a year for each child six and under. The maximum deduction for children seven to 14 will remain at $2,000 a child, but the overall family limit of $8,000 has been dropped to help large families.

* A proposed new Canada Child Care Act would replace the day care provisions of the Canada Assistance Plan and would provide both operating and capital grants for child care to the provinces and territories. The federal government hopes to see 200,000 new subsidized child care spaces within seven years.

* No immediate changes linked specifically to child care will be made in maternity benefits under the unemployment insurance program.

New Money and Old Money

The federal government said it would spend $6.4 billion on child care over the next seven years. This is touted as a major initiative to address the crisis in child care. In reality, it would appear that the proposed strategy would have a less dramatic impact.

From 1988 through 1994, the federal government planned to spend $3.94 billion to cost-share child care services with the provinces and territories under the proposed Canada Child Care Act, $100 million for a

special initiatives fund for innovative research and development projects and public awareness programs, and $60 million for child care on Indian reserves. In addition, nearly $2.5 billion would go to finance the supplement to the refundable child tax credit and the increase in the child care expense deduction. However, the existing child care expense deduction will cost up to $1.4 billion over the next seven years, so the actual total for federal spending could amount to $8 billion.[9]

It is important to understand that not all this money is new. As just explained, an estimated $1.4 billion of the $8 billion total would have been spent anyway on the child care expense deduction, even without the new federal strategy. Moreover, the federal government would have spent in the order of $2.6 billion over the next seven years on cost-sharing provincial and territorial child care programs if the current system remained in effect.[10] All in all, $4 billion or one-half of the $8 billion grand total in federal child care spending from 1988 through 1994 would be old money and $4 billion new money.

While such a major increase in spending is welcome, there are problems with how this money would be used. We now turn to the various elements of the child care strategy.

Raising the Refundable Child Tax Credit

The regular refundable child tax credit for the 1988 tax year is a maximum of $559 for each child under age 18 and goes to families with net incomes under $24,090. Benefits are reduced by five cents for every dollar of income over this amount and disappear once family income exceeds a certain point. A family with two children, for example, no longer receives any child tax credit once its net income reaches $46,450.

The federal child care strategy will pay an additional $100 for each child age six and under for the 1988 tax year and $200 for each child six and under for 1989 and later years. The supplement will go to all eligible families - whether or not they have child care expenses.

Much as we support the refundable child tax credit as an essential element of the federal child benefits system, we do not think it should be used as part of the child care strategy. Our main objection is that increasing the credit will divert huge amounts of money from the vital task of increasing the number of licensed child care spaces.

The federal government estimates the cost of increasing the refundable child tax credit at $170 million for 1988 and $340 million a year thereafter. The total cost during the first seven years of the program will be more than $2.2 billion or more than one-quarter of the total federal commitment to child care. Because the program is strictly federal, the increases will not cost provincial and territorial governments anything.

An extra $200 a year for each child will not help low-income parents find suitable care, much less pay for it. Tax credits will not create more spaces in child care centres or family homes. And $200 a year in benefits pales beside child care costs that normally exceed $3,000 a year for each child.

We recommend that the federal government reverse its decision to supplement the refundable child tax credit as part of its child care strategy and use the money instead to increase the supply of licensed child care spaces and to provide more subsidies for maintaining those spaces.

It is worth emphasizing that our recommendation covers only the supplement to the refundable child tax credit. Low and middle-income families would continue to get the regular refundable child tax credit, worth up to $559 per child. Families in all income groups would continue to get family allowances of $389 per child, and those who pay income tax would receive the $65 non-refundable children's tax credit that the federal government brought in to replace the children's tax exemption. Together, these three federal child benefits total a maximum of $1,013 a child in 1988.

Some critics of the child care strategy have argued that the federal government does not do enough to help stay-at-home parents. The National Council of Welfare has long agreed with this cricitism and has repeatedly called for greater recognition of the financial burdens all parents face in raising their children. At the same time, we believe this is best done through improvements in federal child benefits and changes in federal and provincial tax provisions that benefit parents at home as well as parents in the paid labour force. Child care is a separate issue of prime concern to parents working outside the home, and we believe it should be addressed separately for that reason.

Raising the Tax Deduction for Child Care Expenses

The child care expense deduction is a tax break for parents who work in the paid labour force or take training courses. Single parents or spouses with the lower income in two-parent households have been able to reduce their taxable incomes by up to $2,000 for each child 14 and under. The maximum deduction for each family was $8,000. Parents claiming the deduction have to get receipts and also have to give the name, address and social insurance number of the care-giver on their tax forms. The deduction can be used for either licensed or unlicensed care.

Under the new federal strategy, the overall family limit of $8,000 was dropped beginning with the 1988 tax year, and the maximum deduction for children six and under was raised to $4,000 a child. The maximum deduction for children between seven and 14 remains $2,000 a child.

The $2,000 child care expense deduction will cost the federal government between $175 million and $200 million a year during the next seven years. Doubling the deduction for children six and under will cost an additional $40 million a year. That brings the total cost to the federal government alone to between $1.5 billion and $1.7 billion over seven years. When revenue losses to provincial and territorial governments other than Quebec are added, the total cost to the two levels of government over seven years will be in the order of $2.1 billion to $2.4 billion.

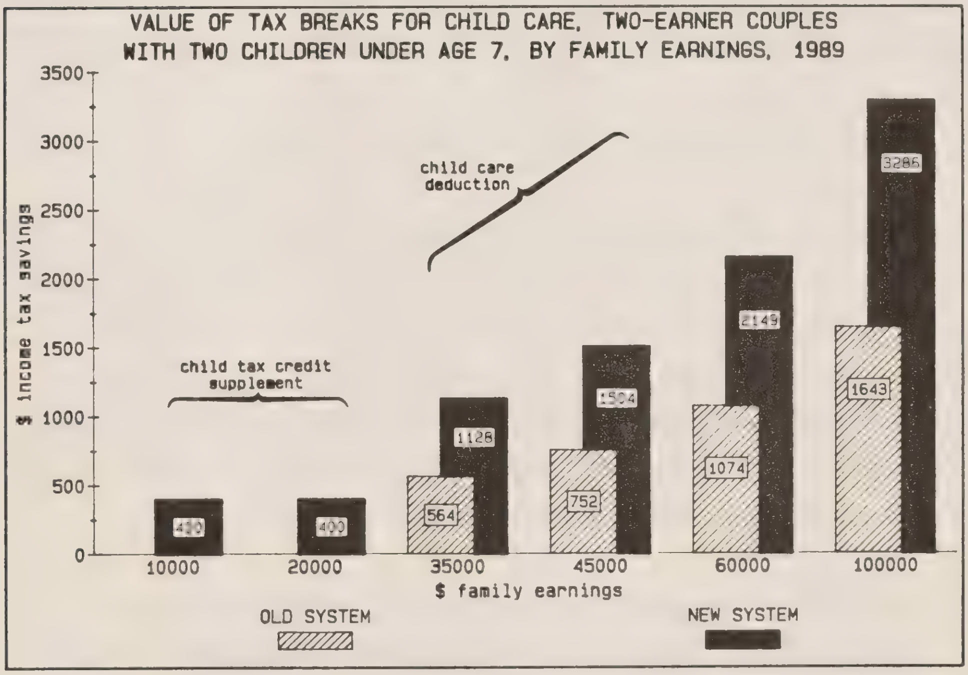
The decision not only to retain but also to double the child care expense deduction flies in the face of the federal government's own tax reform philosophy. In 1988, in pursuit of a fairer income tax system, Ottawa converted personal exemptions and most deductions - which provide the largest tax savings to upper-income taxpayers - to non-refundable tax credits - which are worth more in proportional terms to lower-income taxpayers.

Because it reduces taxable income, the child care expense deduction provides tax savings that increase as incomes increase. Doubling the deduction for children up to age six provides an even larger benefit to well-off families than they enjoyed in the past.

Figure A shows the value of combined federal and provincial child care tax benefits for families at different income levels who have two children under the age of seven. The striped bars illustrate income tax savings from the previous child care expense deduction of $2,000, while

the solid bars show tax savings from the new deduction of $4,000 for middle and upper-income families and the refundable child tax credit supplement of $200 a child for lower-income families.[11] The figures are for 1989, when the full refundable child tax credit supplement will be in place.

FIGURE A



It is clear that well-off families stand to profit the most. Under the old system, a two-earner couple with two preschool children and $100,000 in earnings would save $1,643 in federal and provincial income taxes thanks to the child care expense deduction. Under the new system,

it will save twice as much or $3,286. A middle-income family earning $45,000 also will enjoy larger tax savings under the new system, but much less - $1,504 as opposed to $3,286 for the $100,000 family. A low-income family with earnings at or below the poverty line will get $400 in additional refundable tax credits under the new system, which amounts to less than one-eighth of the $3,286 tax benefits of the $100,000 couple.

Our preferred option would be to abolish the child care expense deduction outright and use all the proceeds to increase support for child care services. However, we have reservations about removing this tax assistance before there is a child care system large enough and flexible enough to meet the needs of all eligible parents who want to use it.

As a compromise, we recommend the following:

* **First of all, the federal government should freeze the child care expense deduction at its previous value of $2,000 a child rather than increasing it to $4,000 for children six and under.**

* **The government should then convert the child care expense deduction to a non-refundable child care tax credit in line with its own philosophy of tax reform.**

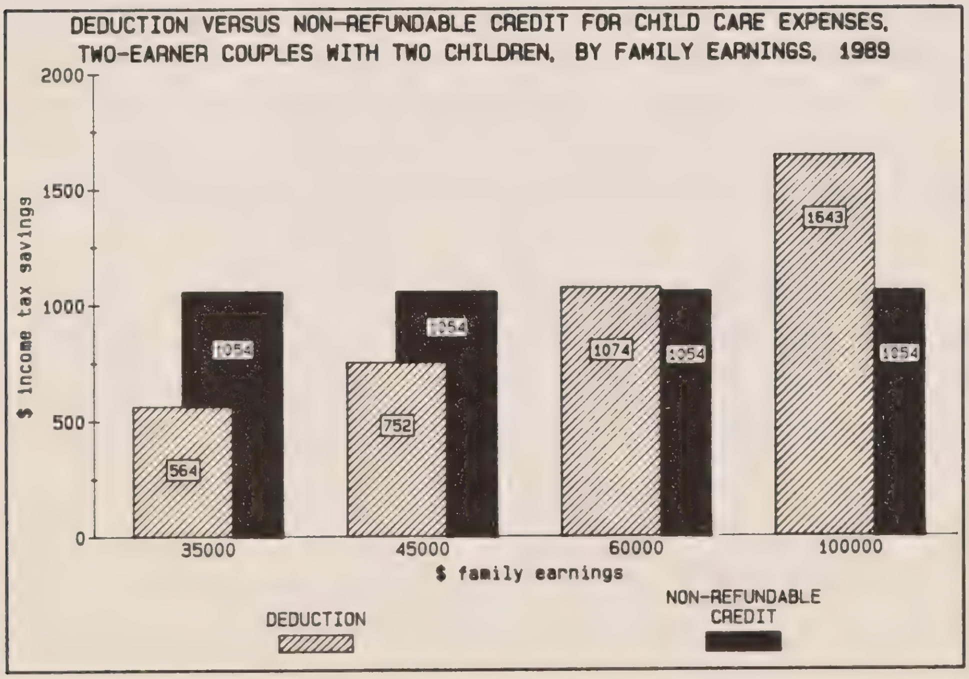
* **Finally, Parliament should enact a "sunset clause" that would see the new child care tax credit expire automatically at the end of seven years.**

We would convert the child care expense deduction of $2,000 a child to a non-refundable child care expense credit of $340. The provincial portion of the tax credit would average $187, so federal and

provincial tax savings would total $527 a child on average. A family with two children would get federal and provincial tax credits totalling $1,054 a year, which it would subtract from the income taxes it owes.

Figure B shows the financial impact of our proposal for a $340 federal tax credit compared with a tax deduction of $2,000 a child. A two-earner family with two children and earnings of $100,000 a year would get a credit worth $1,054 in federal and provincial income tax savings under our proposal - somewhat lower than the tax savings of $1,643 from a deduction. A family earning $35,000 would also get a credit of $1,054 - substantially higher than the $564 tax savings from a deduction. Our proposed child care expense tax credit is clearly fairer than the existing tax deduction.

FIGURE B



The Canada Child Care Act

The federal government would spend a maximum of $4 billion over the next seven years with a view to adding 200,000 more spaces in licensed child care centres and homes and to subsidizing the cost of care for children. The day care provisions of the Canada Assistance Plan would eventually be transferred to the proposed new Canada Child Care Act, which would provide operating grants to both non-profit and profit-making child care centres and capital grants to non-profit centres only. Poorer provinces would get additional money from Ottawa to help bring their facilities in line with those in better-off provinces.[12]

As drafted, the Canada Child Care Act provided only the barest of outlines on how the proposed new child care system would operate. Several of its major features and most of its details were left to federal-provincial negotiations that were expected to continue well into 1989. As we mentioned earlier, the legislation itself died when Parliament was dissolved for the federal election of November 21, 1988. It remains to be seen whether the next federal government will reintroduce the legislation in more or less its original form.

We have mixed feelings about the proposals for both capital and operating grants contained in the Canada Child Care Act.

With respect to capital grants, we note that the federal government's proposals mark the first time it would make sizable amounts of money available for capital costs. We also note that Ottawa would pay 75 percent of the total and the provinces and territories only 25 percent. That strikes us as an appropriate incentive to encourage more spaces.

Of the federal total of $4 billion over seven years, early indications were that $400 million had been set aside for capital grants.

Using $400 million to create 200,000 new spaces means an average federal grant of $2,000 for each space. Although capital costs vary greatly from project to project, an average of $2,000 seems reasonable when combined with additional money from provincial and territorial governments.

The capital grants are intended only for non-profit centres, which find it next to impossible to borrow money. Profit-making centres do not have that problem. It makes sense, then, to restrict capital grants to non-profit facilities.

In addition, we believe that it is not appropriate for public funds to be used for capital grants to profit-making centres. Capital grants represent a long-term investment in child care, and they should go to non-profit groups committed to the continuing care of children rather than to commercial centres whose main concern is year-to-year profits.

The two big problems with the federal proposals for capital grants are that 200,000 new spaces in the next seven years will not be enough and that the federal government would not share capital costs beyond the first seven years. We believe the real need is in the order of 750,000 new spaces. At an average grant of $2,000 a space, that would cost the federal government $1.5 billion rather than $400 million. Moreover, it may take longer than seven years to get 750,000 new spaces up and running.

We recommend that the federal government increase the amount of money available for capital grants to $1.5 billion over the next seven years in light of the pressing demand for more child care spaces.

We further recommend that capital grants continue beyond seven years if more time is needed to bring the number of new spaces in line with the actual need for child care.

We also have mixed feelings about the federal government's proposals for operating grants and subsidies.

The most positive feature is a proposal sometimes called "variable cost-sharing" or "top-ups." Under the Canada Assistance Plan, there is 50-50 cost-sharing between the two levels of government. Under the Canada Child Care Act, Ottawa would pay more than half of the cost for poorer provinces - in some cases, the federal government could pick up as much as 90 percent of the total cost.[13] That is an appropriate and fair incentive.

On the other hand, we have several reservations about the proposed federal approach.

Our first concern is that the strategy was expressly designed to limit federal spending on child care. Instead of the open-ended approach of the Canada Assistance Plan, the new strategy would impose ceilings on the amount of money paid to provinces and territories during the next seven years. After the seven years is up, on March 31, 1995, federal funds would increase only by the annual rise in the cost of living.

We believe ceilings would be a serious problem in the long run, if not sooner. Provinces and territories might be reluctant to encourage the expansion of child care services for fear they could get stuck with more than 50 percent of the cost in the foreseeable future. Presumably, once the federal government reached its spending ceiling in any given year, provinces and territories would be on their own for any additional costs that might arise.

Putting a lid on expenditures also could make it more difficult to get decent pay for child care workers, because wages account for about 75 percent of all child care operating costs. In 1984, the average salary

paid to teaching staff in licensed day care centres was $15,163 - far below the salaries of most elementary school teachers - and the average earnings of people who ran licensed child care programs in their own homes were $6,600.[14] Low salaries cause high staff turnover which, in turn, interrupts continuity of care and is detrimental to children. If we want first-rate care for our children, we cannot continue paying second-rate or third-rate salaries to the people providing that care. Decent wages are needed to attract care-givers who are better trained and less tempted to switch to other professions.

Much the same can be said about the ratios of children to staff. If we want better ratios, we have to be prepared to hire more staff and pay them decent wages. At the present time, Quebec allows a ratio of eight children to one staff member for children between 18 and 24 months old. The ratios in other provinces are much better - as low as three to one.

We recommend that the federal government not impose any fixed ceilings on the amount of money it is willing to spend to help the provinces and territories cover the operating costs of child care programs.

The Canada Child Care Act says absolutely nothing about the way operating grants and subsidies would work. All that was left to the agreements being negotiated with provincial and territorial governments. The initial indications are that subsidies would be directed toward low-income families, but there were no guarantees of subsidies that would cover the entire cost of care.

In effect, Members of Parliament and parents alike were being asked to accept a major new social program sight unseen. The legislation is a way of transferring federal money to the provinces and territories

for child care services, but most of the details of how that is done would be decided in closed-door negotiating sessions involving ministers and civil servants.

We recommend that the principles of the new child care system be spelled out in the Canada Child Care Act, much as the goals of medicare and the obligations of provinces and territories are spelled out in the Canada Health Act.

At the very least, the new child care legislation should make it clear that all working parents will have access to the system, and that the cost of care will be based on the ability of parents to pay. The public purse should cover 100 percent of the cost of care for children from low-income families.

Similarly, the child care legislation makes only fleeting reference to standards of care, such as fire and safety regulations and group size. Federal officials have said the provinces and territories would be required to have minimum standards and to report them to Ottawa. But the federal government would have no minimum standards, and it would not ensure that provinces and territories enforce their own standards.

We recommend that the legislation be amended to give the federal government the power to accept or reject the child care standards of provincial and territorial governments and to withhold funds from governments that have unacceptably low standards.

We do not put forward this recommendation with a view to insisting that all governments have identical standards or because we believe provincial and territorial governments would try to shirk their responsibilities to parents and children within their own jurisdictions.

We view it instead as a measure of last resort that would be used rarely, if at all, but one that should nonetheless be enshrined in federal statute.

Our final concern is about profit-making or commercial day care centres, which would be eligible for federal contributions under the Canada Child Care Act. We do not believe the profit motive should be a dominant or long-term feature of child care in Canada. Profits are made by keeping costs down - paying low salaries to care-givers, raising child-staff ratios or compromising health, safety or nutritional standards - all of which hurt children. Non-profit care directed by a community-controlled board of directors is the best way to make sure parents determine what kind of care their children receive.

The reality facing the federal government in putting together its child care strategy was that every province and territory has some care in the commercial sector. Profit-making care is particularly important in Alberta and Ontario. Nonetheless, we believe the federal government should place some restraints on any new funding for the operating costs of profit-making centres.

We recommend that Ottawa include a "grandfather clause" in the Canada Child Care Act to allow operating grants to existing commercial centres, but no new ones. Alternatively, the federal government should require that all commercial centres convert to non-profit centres within a reasonable period of time if they wish to continue getting federal funding.

Maternity and Parental Benefits

A serious omission in the federal government's child care strategy is the lack of any recommendations on maternity and parental benefits.

We believe a comprehensive parental benefits policy must be an integral part of any child care strategy.

Providing care for infants is one of the most expensive components of a child care program. If there were adequate paid leave provisions for parents to remain at home with their newborn children, there would be less need for infant care in the child care system. Many parents would prefer to take some time off work to care for their infants themselves rather than placing them in the care of others.

At the present time, unemployment insurance provides 15 weeks of maternity benefits to mothers at 60 percent of their earnings up to a weekly maximum, which in 1988 is $339. But benefits are payable only after a two-week waiting period, during which a mother receives nothing. When 15 weeks of benefits are spread over 17 weeks of leave, women who take maternity leave actually suffer a 47 percent drop in earnings during the time they are off work. We find this an unacceptable financial penalty for childbearing and one that is particularly hard on low-income parents.

Current unemployment insurance regulations prohibit a claim for maternity benefits during a strike. If a woman must start her maternity leave during a strike, she will not be able to claim benefits.

In addition, the combined total of sickness and maternity benefits cannot exceed 15 weeks. If a woman is ill during the early stages of her pregnancy, for example, and must claim a few weeks of sickness benefits, those weeks will be deducted from her maternity benefits claim.

The National Council of Welfare recommends the following improvements in maternity benefits under unemployment insurance:

- **The two-week waiting period should be eliminated and maternity benefits paid for a full 17 weeks rather than 15 weeks.**

- **The provision that maternity benefits not be paid during a strike should be abolished.**

- **The combined limit on maternity and sickness benefits should be dropped.**

Beyond these changes, we would like to see the development of a full-fledged system of paid parental leave under unemployment insurance - a system involving fathers as well as mothers and one with substantially better benefits.

Recent changes in the maternity benefits program - some of them enacted as a result of court challenges - have made benefits available to fathers as well as mothers under certain circumstances. While we support these developments, we feel strongly that providing benefits to fathers must not be accomplished by taking them away from mothers. The 17 weeks of benefits available for mothers should be retained in recognition of their need to recover from childbirth.

As a start, unemployment insurance should provide nine weeks of parental benefits in addition to 17 weeks of maternity benefits. That would give families a total of 26 weeks of benefits while their children are still infants. These additional nine weeks of benefits could be claimed by either mothers or fathers depending on their own wishes, or they could be shared by both partners.

Next, we would like to see increases in the level of replacement earnings provided (i.e., the percentage of earnings made up by maternity and parental benefits). The current provision is 60 percent of insurable earnings to a fixed weekly maximum. We think the first move should be a raise to 75 percent of insurable earnings. This would be particularly helpful to low-income families.

We consider the figure of 75 percent to be a reasonable compromise between the recommendations of the Cooke Task Force and the Special Committee on Child Care. The Task Force envisaged going to 75 percent of insurable earnings within five years and to 95 percent within ten years. The Committee recommended keeping the figure at 60 percent.

We recommend that the federal government move quickly to add a program of parental benefits to maternity benefits under unemployment insurance. The first steps should be the provision of nine weeks of parental benefits open to fathers as well as mothers and an increase in the level of replacement income from 60 percent to 75 percent for both programs.

Unemployment insurance is financed by premiums from employees and employers, and an extra nine weeks of parental benefits would require a modest increase in premiums. The Special Committee on Child Care proposed a gradual extension of benefits to 26 weeks by 1992. The average cost of the increase by 1992 was estimated at 48.4 cents a week for employees and 67.7 cents a week for employers.[15]

Our proposal would require increases of a similar magnitude that would start right away, rather than in 1992, in order to cover the longer period of benefits. Further increases would be needed to finance the higher level of benefits that we recommend.

A BETTER ALTERNATIVE

We have analyzed the new federal child care strategy and proposed a number of changes to correct its failings. This section sketches out an alternative vision of child care that the National Council of Welfare believes would create a high-quality yet affordable system.

Unlike the federal strategy, which perpetuates the old system of a mix of subsidies for child care and tax benefits for parents, our alternative puts all available resources into child care services and none into tax breaks. Our system would be financed through a combination of government revenues and parental fees. It would create 750,000 new child care spaces over seven years - almost four times the federal strategy's target of 200,000 spaces.

A summary of our proposals and how they compare with the current system and with the federal child care strategy can be found in Appendix E, Comparing Child Care Options, near the end of this report.

A New System of Subsidies

We started out with calculations done for the Cooke Task Force on the tax benefits and the Canada Assistance Plan subsidies that were available to parents in different circumstances and different provinces and territories in 1984.[16] We then did some estimates of our own to see how families would fare if the child care expense deduction were scrapped and there were a fully developed child care system financed through a combination of public funds and parental fees.

Our system would use a sliding schedule of fees based on a family's ability to pay. We assumed that families living below the poverty line would pay no fees at all, those with average incomes ($43,000 in 1984 for a family of four) would pay fees equal to 30 percent of the cost of care, and families with incomes twice the average would pay fees equal to 50 percent of the cost.[17]

Figures C through G summarize the results. The striped bars show the maximum child care subsidies and the tax savings from the child care expense deduction actually available in 1984 to families with two young children. The solid bars show the subsidies that would have been available under our alternative system, which does not provide tax benefits. Both sets of bars represent percentages of the actual cost of care covered by the public purse. Information on the dollar value of these benefits is presented in Appendix C and Appendix D.

FIGURE C

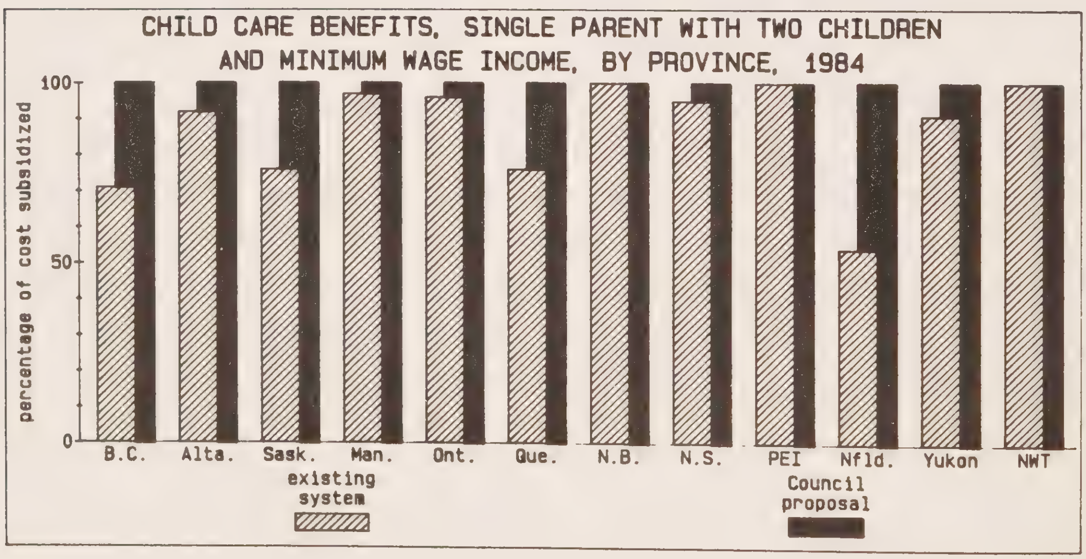


FIGURE D

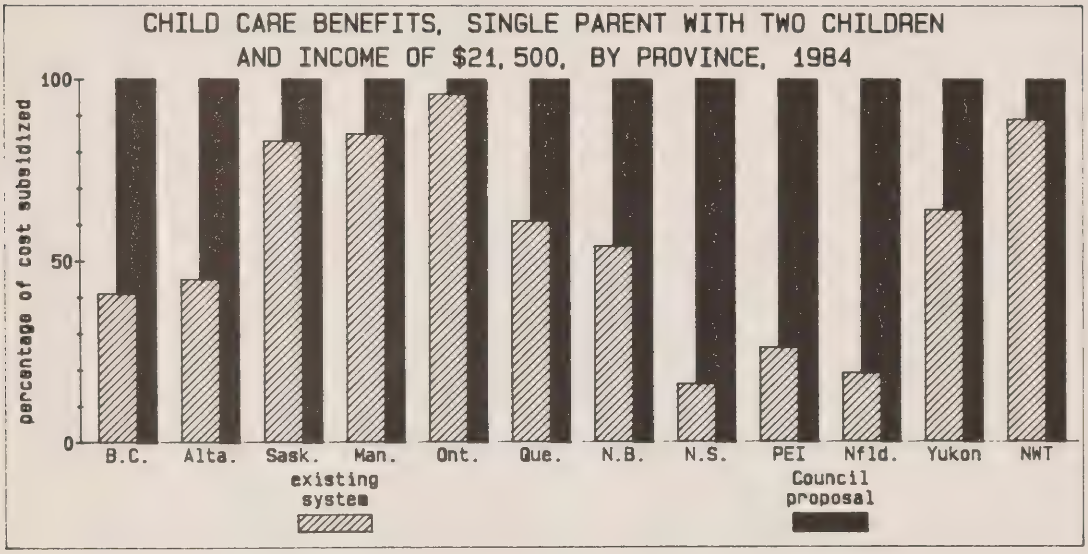


FIGURE E

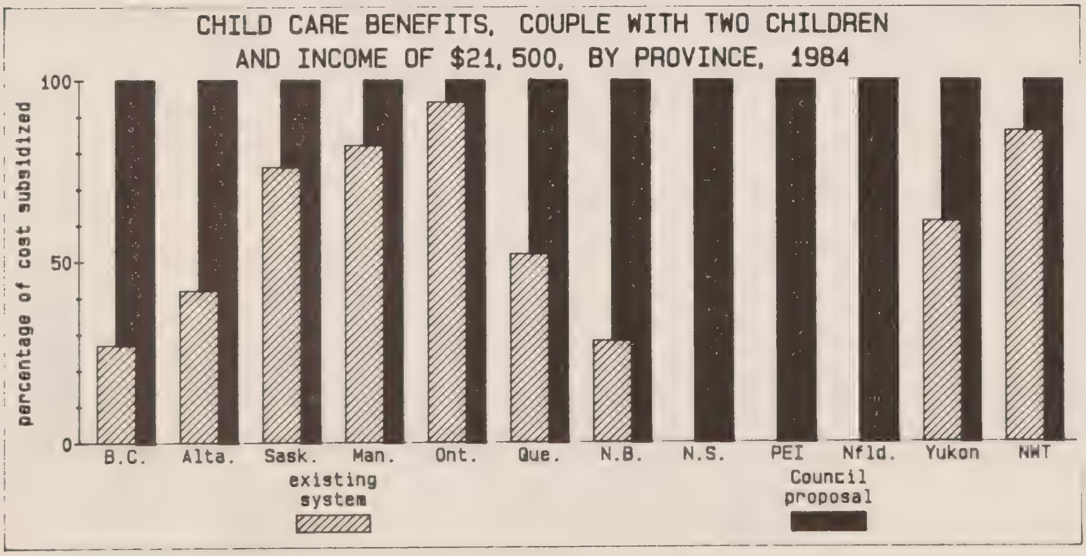


FIGURE F

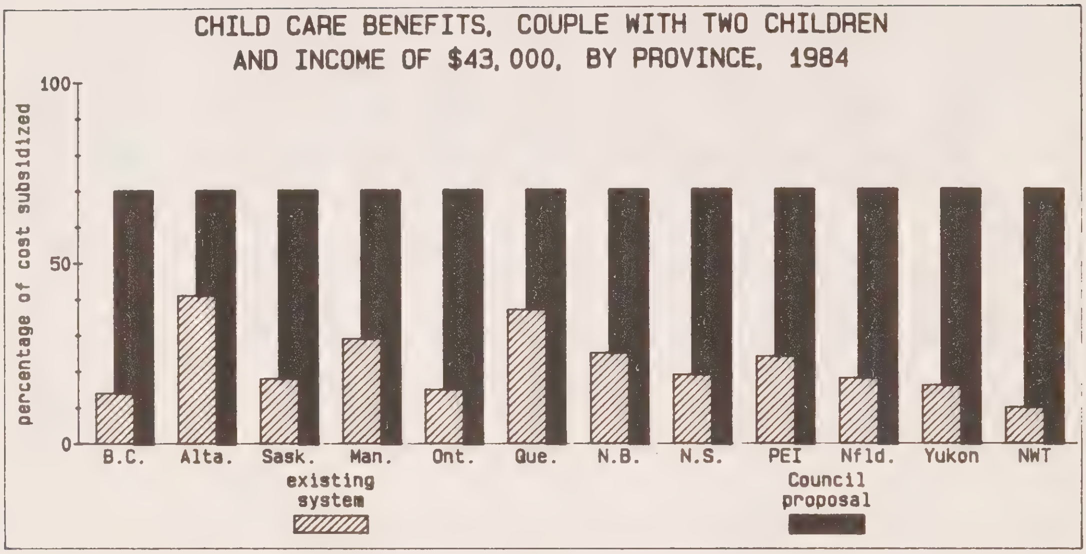
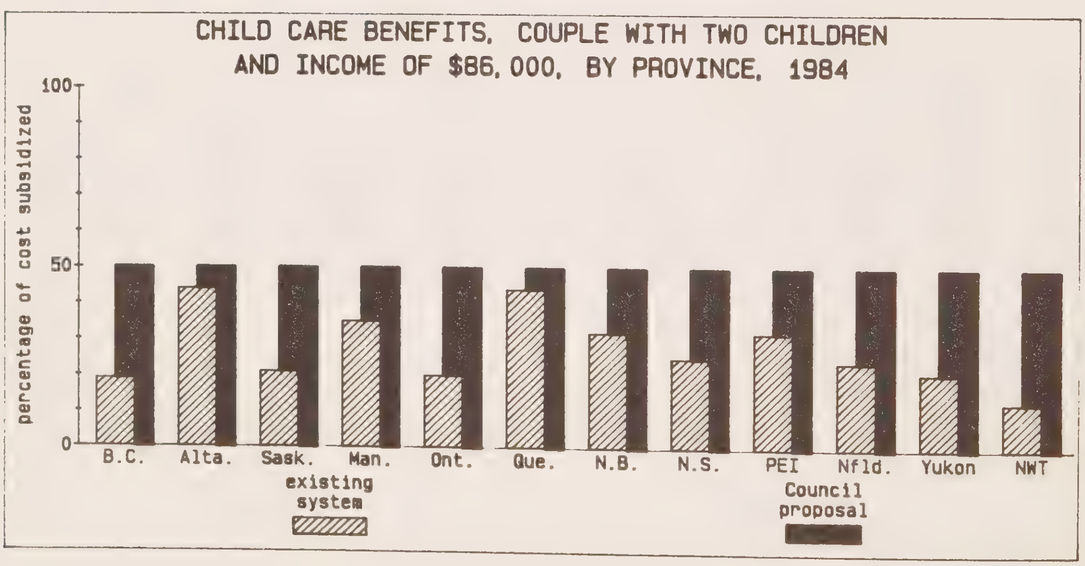


FIGURE G



The existing system is a hodge-podge that varies considerably from one province to another and takes minimal account of the financial circumstances of different families. The striped bars in Figure C, for example, show that even single parents earning the minimum wage do not get 100 percent of their day care fees paid in some provinces. The striped bars in figures D and E show that families with modest incomes receive meagre subsidies in many provinces.

Our proposed child care system is based solely on ability to pay. The solid bars in all the figures show subsidies that cover 100 percent of the cost of care for low-income families and smaller subsidies for families with average and above-average incomes. As well, our alternative provides equal benefits in all provinces and territories.

But the most striking difference between the two systems is that every single family in every income group in every province and territory comes out a winner under our proposals. Every family would do as well or better than under the existing system. Low-income families would no longer have to pick up part of the cost of child care - a cost that many poor parents simply cannot afford. Well-to-do families would pay fairly hefty fees, but they would still be better off financially than they are under a child care expense deduction of $2,000 a child.

Other Improvements

Coverage. The current child care system provides subsidies to some low-income and a few modest-income families and a tax deduction to middle and upper-income parents with child care receipts. The federal strategy continues this general approach. Our proposal is for one child care system that cuts across all income lines. Under our system, all resources would be devoted to increasing the supply of child care spaces and none to providing tax breaks for child care expenses.

Our target group is children under the age of 13 whose parents work full-time or part-time outside the home or who study full-time. It would include children in two-parent homes where both parents have paying jobs for at least 20 hours a week or where one parent works and the other is a full-time student. It would also serve the children of single parents who work at least 20 hours a week or who are full-time students.

As we noted earlier, the present system provides care for only 243,545 or 13 percent of the children under age 13 of working or studying parents. The federal strategy would add 200,000 spaces over seven years and bring the coverage to about 23 percent. Our own proposals would add 750,000 spaces to produce a total of 993,545, which would cover 51 percent of the 1.9 million children under 13 whose parents work or study full-time.

We believe 51 percent is realistic, because it recognizes that not all working or studying parents want to use licensed child care facilities all the time during all the years when their children are young.

Many parents would no doubt prefer to stay home with their children when they are very small. Better maternity benefits and parental benefits under unemployment insurance, as we have proposed, would help them to do so. Some children who are four or five years old are in kindergarten at least part of the day, so they do not need full-time child care. Some older children six through 12 who are in school all day may not need formal child care arrangements at all, especially if they participate in extra-curricular activities after school or receive after-school care from a relative or neighbor.

Wages for Child Care Workers. The average wage for the teaching staff of a child care centre was $15,163 in 1984 and the average income of a person operating a family child care home was $6,600. It is not clear how much salaries would rise under the federal strategy, if at all. Our proposal

would raise the average salary of teaching staff to $22,500 and the average earnings of the operator of a family home to $15,000 starting in 1988.[18] We would anticipate further increases each year in line with increases in the cost of living.

Although wages account for a large portion of the cost of child care, we believe the people who are responsible for the well-being of children deserve much better than they get at the present time. Higher salaries might also encourage unlicensed care-givers to become licensed. Children would benefit because there would be much less staff turnover if care-givers received decent wages.

Child-Staff Ratios. The average ratios of children to staff in child care centres in 1984 were 4.15 to 1 for children under the age of two, 7.77 to 1 for children ages two to six, and 11.57 to 1 for children ages six to 13. The ratio in family child care homes was 5.74 to 1. The federal government has not said how these ratios might change under its strategy. Under our proposals, the ratio in centres would be three to one for children up to the age of two, six to one for children ages two to six, and ten to one for children ages six to 13. In family homes, the ratio would be four to one.[19]

What Would It Cost?

To get a rough idea of the cost of our proposals, we drew upon a study prepared by the economist Monica Townson for the Canadian Day Care Advocacy Association. We estimate that our child care system's gross cost would be in the neighborhood of $6.6 billion a year by the time the system was fully developed in 1995.[20] However, the net cost to all levels of government would be substantially less - about $4.4 billion in 1995.

There are two primary financial offsets that reduce the price tag from $6.6 billion to $4.4 billion a year. One is the money that would be raised in fees from middle and upper-income parents. The other is higher income tax revenues that would be realized from an increase in the number of people working in child care as well as an improvement in their earnings.

The first offset comes through our proposed sliding schedule of fees. Parents would start paying fees for care once their family income topped $25,000. Fees would increase gradually to a maximum of 50 percent of the cost of care when family income exceeded $55,000.

We calculate that fees of this nature would raise about $1.8 billion a year by 1995.[21] That would reduce the cost of our child care system from $6.6 billion to $4.8 billion.

Our proposals would create roughly 87,000 new jobs and boost the incomes of all care-givers. The additional money paid in salaries would give the federal and provincial governments additional income tax revenues - about $400 million more in 1995.[22] Added to the $1.8 billion from parental fees, this would lower the price tag to $4.4 billion.

The estimate of $4.4 billion a year should not be considered the ultimate bottom line, however. Governments could decide to ask parents to pay fees somewhat higher than we propose. If some of the new child care workers are found among the ranks of the unemployed, there would be savings on unemployment insurance and welfare. Additional savings are possible if there was a move to provide more care in family homes, which are less expensive to run than child care centres.

Is spending in the order of $4 billion a year a reasonable use of scarce federal, provincial and territorial resources? We believe it is - if the money supports a first-rate child care ststem.

Our approach would see an end to expensive and wasteful tax breaks that can never help Canada create the child care facilities that it needs. It would lead to a nation-wide system of care in centres and private homes that would be readily available to all working parents. Low-income families would get care for their children at no charge, and even well-to-do parents would find themselves better off than under the current system.

Most important of all, children would get the kind of care they deserve. There would be better health and safety standards, activities that are stimulating as well as fun, nutritional meals, proper supervision and care-givers who are committed to the children in their care. All this adds up to a sound investment in the physical, mental and emotional well-being of the next generation of Canadians.

For all these reasons, we recommend that the federal government take a second look at its priorities, explore in more detail the alternative system we have suggested and spend the additional money that would give Canada a first-rate rather than a second-rate child care system.

The time is ripe for second thoughts about the child care strategy of the federal government. The original Canada Child Care Act never became law because Parliament was dissolved for the federal election of November 21, 1988.

The National Council of Welfare urges the newly elected Parliament to resume the debate on child care at an early date. We hope that the outcome will be new and improved legislation that will truly meet the needs of parents and children.

SUMMARY OF RECOMMENDATIONS

While we commend the federal government for taking the lead in trying to improve child care services, we have a number of misgivings about the measures contained in its child care strategy.

We therefore make the following recommendations:

1. The federal government should reverse its decision to supplement the refundable child tax credit as part of its child care strategy and should use the money instead to increase the supply of licensed child care spaces and to provide more subsidies for maintaining those spaces.

2. Three changes should be made in the child care expense deduction:

   * First of all, the deduction should be frozen at its previous value of $2,000 a child rather than being increased to $4,000 for children six and under.

   * The deduction should then be converted to a non-refundable tax credit in line with the government's own philosophy of tax reform.

   * Finally, Parliament should enact a "sunset clause" that would see the new child care tax credit expire automatically at the end of seven years.

3. In light of the urgent demand for more child care facilities, the federal government should increase the amount of money available for capital grants to $1.5 billion over the next seven years. Capital grants should continue beyond seven years if more time is needed to

bring the number of new spaces in line with the actual need for child care.

4. Ottawa should not impose any fixed ceilings on the amount of money it is willing to spend to help the provinces and territories cover the operating costs of child care programs.

5. The principles of the new child care system should be spelled out in the Canada Child Care Act, much as the goals of medicare and the obligations of provinces and territories are spelled out in the Canada Health Act.

6. Federal child care legislation should give Ottawa the power to accept or reject the child care standards of provincial and territorial governments and to withhold funds from governments that have unacceptably low standards.

7. The federal government should include a "grandfather clause" in the Canada Child Care Act to allow operating grants to existing commercial centres, but no new ones. Alternatively, the government should require that all commercial centres convert to non-profit centres within a reasonable period of time if they wish to continue getting federal funding.

8. The federal government should immediately eliminate three quirks from the program of maternity benefits under unemployment insurance:

   * The two-week qualifying period should be eliminated and maternity benefits paid for a full 17 weeks rather than 15 weeks.

   * The provision that maternity benefits not be paid during a strike should be abolished.

* The combined limit on sickness and maternity benefits, which adversely affects women who are sick early in their pregnancies, should be dropped.

9. A program of parental benefits should be added to maternity benefits under unemployment insurance. The first steps the government should take are to add nine weeks of parental benefits, available to fathers as well as mothers, to 17 weeks of maternity benefits and to increase the level of replacement income from 60 percent to 75 percent of previous earnings under both programs.

10. The federal government should take a second look at its priorities, explore in more detail the alternative system we have suggested and spend the additional money that would give Canada a first-rate rather than a second-rate system of child care.

APPENDIX A

GLOSSARY

Canada Assistance Plan (CAP) - A program whereby the federal government, under agreements with the provinces and territories, shares 50 percent of the costs incurred by provinces, territories and municipalities in providing social assistance payments to persons in need and social services to persons in need or likely to become in need unless such services are made available. Under CAP, the federal government shares the cost of providing subsidies for child care to families that are in need or likely to become in need without government help.

Child Care Expense Deduction - A tax benefit that allows a single parent or the spouse with the lower income in a couple to deduct from taxable income up to $4,000 per child age six or younger and up to $2,000 per child ages seven to 14 for receipted child care expenses incurred to allow the taxfiler to work in the paid labour force or to take a training course. Child care expenses are deductible for an older child if that child is dependent because of physical or mental disability. The child care expense deduction provides its benefit in the form of federal and provincial income tax savings. Parents with incomes below the taxpaying threshold cannot benefit from the child care expense deduction because they do not pay income tax.

Day Care - The traditional term for care given to children while their parents are working or studying outside the home. Many people now prefer the term **child care** because it is a broader concept that applies to various forms of care, including day care centres, family

homes, after-school care, workplace care and care provided at night and/or on weekends for shift workers.

Income Test - A test used to determine eligibility for some social benefits, including subsidized child care. Child care subsidies are provided to families whose income falls below a specified level; the latter varies considerably from one jurisdiction to another. (Appendix B lists the income tests for full and partial child care subsidies.)

Licensed Care - Child care that is overseen by provincial or territorial governments and has to meet certain minimum government standards in areas such as health and safety and child-staff ratios.

Maternity Benefits - Unemployment insurance payments to working mothers while they are on maternity leave. Benefits amount to 60 percent of insurable earnings up to a maximum. The maximum benefit in 1988 is $339 a week for 15 weeks.

Needs Test - A test used to determine eligibility for some social benefits, including subsidized child care. Unlike an income test, which considers just family income, a needs test takes into account a family's budgetary requirements as well as its income and resources available to meet those requirements. Any surplus in the family budget is allocated to child care costs, and the child care subsidy makes up part or all of the difference.

Parental Benefits - As proposed in this report, a new kind of benefit under unemployment insurance for the purpose of child care. The benefit would be in addition to maternity benefits and could be claimed by fathers or mothers or shared by both partners.

Refundable Child Tax Credit - A program that pays $559 in 1988 for each child under 18 to families with net incomes of $24,090 or less. Benefits are reduced by five cents for every dollar of income above $24,090 and eventually disappear once net family income passes a certain point (e.g., $35,270 for a family with one child, $46,450 for a family with two children). As part of the federal child care strategy, the refundable child tax credit was increased by $100 for each child six or younger in 1988 and by $200 for each child six or younger in 1989. Because it is refundable, the child tax credit benefits families too poor to pay income taxes - the federal government mails them a cheque - as well as families that do pay taxes.

Subsidized Spaces - Spots for children in child care facilities where some or all of the cost of care is picked up by governments.

Unlicensed Care - Child care that is not regulated by provincial and territorial governments, even for reasons of health and safety.

APPENDIX B

INCOME LIMITS FOR CHILD CARE SUBSIDIES UNDER THE CANADA ASSISTANCE PLAN, COUPLE WITH TWO CHILDREN, 1987

	Income Limit For:	
	Maximum Subsidy	Partial Subsidy
Federal Government	$33,088	$48,132
British Columbia	13,512	24,552
Alberta	17,160	23,880
Saskatchewan	20,880	40,560
Manitoba	16,345	31,490
Ontario	23,340 to 34,164	34,366 to 45,190
Quebec	15,500	36,000
New Brunswick	11,652	23,292
Nova Scotia	11,960	20,890
Prince Edward Island	12,960	24,480
Newfoundland	10,044	16,164
Yukon	15,480	29,880

Source: Report of the Special Committee on Child Care, p. 29. All figures except Saskatchewan are after-tax income. Saskatchewan uses gross income. Income limits were not given for the Northwest Territories. Families with incomes up to the levels in the first column qualify for maximum subsidies from the Canada Assistance Plan - assuming they can find room for their children in licensed child care. Families with incomes between the first and second columns qualify for partial subsidies.

APPENDIX C

CHILD CARE SUBSIDIES AND TAX BENEFITS, FAMILIES WITH TWO YOUNG CHILDREN, 1984

Province or Territory	Cost of Child Care	Single Parent at Minimum Wage $7,488-8,840	Single Parent With Average Income $21,500	Couple With Half of Average Income $21,500	Couple With Average Income $43,000	Couple With Twice Average Income $86,000
B.C.	$ 7,190	$ 5,088	$ 2,980	$ 1,968	$ 1,036	$ 1,384
Alberta	9,144	8,444	4,160	3,884	3,716	4,060
Saskatchewan	7,580	5,790	6,298	5,790	1,346	1,598
Manitoba	6,869	6,633	5,820	5,649	2,017	2,389
Ontario	7,010	6,750	6,730	6,620	1,064	1,420
Quebec	6,950	5,280	4,240	3,590	2,560	3,040
New Brunswick	5,236	5,236	2,850	1,444	1,292	1,672
Nova Scotia	6,010	5,698	946	0	1,128	1,504
P.E.I.	4,540	4,540	1,160	0	1,100	1,464
Newfoundland	6,380	3,450	1,216	0	1,152	1,536
Yukon	6,600	6,000	4,254	4,008	1,044	1,392
N.W.T.	10,560	10,560	9,363	9,084	1,028	1,372

Source: Report of the Task Force on Child Care, p. 199. The table assumes one three-year-old child and one one-year-old child in licensed care. The families with gross incomes of $21,500 or less got all or most of their benefits in the form of subsidies from the Canada Assistance Plan. The families with gross incomes of $43,000 and $86,000 got benefits in the form of tax breaks from the child care expense deduction and, in Quebec, the availability allowance. The average income for a one-parent family with two children was approximately $21,500 and the average income for a family of four was about $43,000 in 1984.

APPENDIX D

PROPOSED SUBSIDIES UNDER A REFORMED SYSTEM, FAMILIES WITH TWO YOUNG CHILDREN, 1984

Province or Territory	Cost of Child Care	Single Parent at Minimum Wage $7,488-8,840	Single Parent With Average Income $21,500	Couple With Half of Average Income $21,500	Couple With Average Income $43,000	Couple With Twice Average Income $86,000
B.C.	$ 7,190	$ 7,190	$ 7,190	$ 7,190	$ 5,033	$ 3,595
Alberta	9,144	9,144	9,144	9,144	6,401	4,572
Saskatchewan	7,580	7,580	7,580	7,580	5,306	3,790
Manitoba	6,869	6,869	6,869	6,869	4,808	3,435
Ontario	7,010	7,010	7,010	7,010	4,907	3,505
Quebec	6,950	6,950	6,950	6,950	4,865	3,475
New Brunswick	5,236	5,236	5,236	5,236	3,665	2,618
Nova Scotia	6,010	6,010	6,010	6,010	4,207	3,005
P.E.I.	4,540	4,540	4,540	4,540	3,178	2,270
Newfoundland	6,380	6,380	6,380	6,380	4,466	3,190
Yukon	6,600	6,600	6,600	6,600	4,620	3,300
N.W.T.	10,560	10,560	10,560	10,560	7,392	5,280

This table uses the same figures for the cost of care as Appendix C. We assume that parents in all income groups would get subsidies for child care, but no tax benefits for child care expenses. Lower-income families would get subsidies equal to the actual cost of care. Families with incomes of $43,000 would pay fees equal to 30 percent of the cost of care, and families with incomes of $86,000 would pay fees equal to 50 percent of the cost of care. The average income for a one parent family with two children was approximately $21,500 and the average income for a family of four was about $43,000 in 1984.

APPENDIX E

COMPARING CHILD CARE OPTIONS

FEATURE	CURRENT SYSTEM	FEDERAL STRATEGY	COUNCIL ALTERNATIVE
Number of licensed child care spaces	243,545 in 1987	+200,000 over 7 years	+750,000 over 7 years
Percent of children under 13 of working/ studying parents in licensed care	13% in 1987	Approximately 23% after 7 years	Approximately 51% after 7 years
Capital funding from Ottawa to create new spaces	Virtually nil	Not earmarked, but perhaps $400 million over 7 years	$1.5 billion over 7 years
Net cost to federal, provincial & territorial governments of tax breaks & child care subsidies	More than $682 million in fiscal year 1986-1987	Approximately $2 billion in 1995	Approximately $4.4 billion in 1995
Cost of tax breaks alone to governments	$240 million in fiscal year 1986-1987	Approximately $680 million in 1995	Nil by 1995

(Continued on next page)

APPENDIX E (Continued)

FEATURE	CURRENT SYSTEM	FEDERAL STRATEGY	COUNCIL ALTERNATIVE
Out-of-pocket fees paid by parents for licensed care	Unknown	Unknown	Approximately $1.8 billion in 1995 based on ability to pay
Average salary of teaching staff in licensed child care	$15,163 in 1984	Unknown	$22,500 in 1988 increasing to estimated $29,608 in 1995
Overall ratio of children to staff in licensed centres (national averages)	Centres- 0-2 years 4.15 2-6 years 7.77 6+ years 11.57 Family homes- 5.74	Unknown	Centres- 0-2 years 3.00 2-6 years 6.00 6+ years 10.00 Family homes- 4.00
Unemployment insurance benefits for parents	15 weeks for mothers at 60% of earnings	15 weeks for mothers at 60% of earnings	17 weeks for mothers + 9 weeks open to either parent or shared by both, all at 75% of earnings

NOTE: Net cost to governments and the cost of tax benefits in the table above do not include Quebec tax benefits that are exclusively within its jurisdiction.

FOOTNOTES

1. Report of the Royal Commission on the Status of Women in Canada (Ottawa: Queen's Printer, 1970), p. 163.

2. Report of the Royal Commission on Equality in Employment (Ottawa: Minister of Supply and Services Canada, 1984), p. 192.

3. The figures on child care spaces are collected each year by the National Day Care Information Centre of Health and Welfare Canada. The number of children in each province with parents outside the home was provided by Statistics Canada. Comparable figures on children in the two territories were not available.

4. Information for Table 2 was supplied by the Department of Finance, Health and Welfare Canada, Employment and Immigration Canada and Indian Affairs and Northern Development.

5. The mix of Quebec programs more or less related to child care has been changing significantly in recent years, and total spending on these programs now is well in excess of $100 million a year. The province's child care expense deduction was increased in the 1988-1989 budget to a maximum of $4,000 a child for children under seven and $2,000 for children under 13. The availability allowance paid to parents on behalf of children under six is a refundable tax credit that now amounts to $100 a year for the first child in a family, $200 for the second and $500 for the third and each subsequent child. Beginning January 1, 1989, the amounts will be divided into monthly shares and added to provincial family allowance cheques. APPORT, the assistance program for low-income working parents with children, provides monthly payments to families who are below the income tax threshold - in other words, too poor to pay taxes. Some of the benefits are intended to cover roughly half the cost of child care. Actual benefits vary with family size and earnings, but the budget speech said a family with two children and $15,000 in earnings would get $2,803 a year from APPORT.

6. Report of the Task Force on Child Care (Ottawa: Minister of Supply and Services Canada, 1986), p. 199. From a background study prepared for the Task Force by Christine Blain.

7. Provincial Day Care Subsidy Systems in Canada. (Ottawa: 1987), pp.16-18. A background document prepared for the Special Committee on Child Care.

8. Federal expenditures are known in some detail, but virtually nothing is known about the amount of money the provinces and territories would be expected to spend on child care programs during the next seven years.

9. The detailed figures are unpublished estimates from Health and Welfare Canada and the Department of Finance.

10. Figure from the Canadian Advisory Council on the Status of Women's presentation to the Commons legislative committee studying the Canada Child Care Act, August, 1988.

11. Calculations by the National Council of Welfare.

12. Provincial and territorial governments would have the option of bringing their child care programs under the new legislation or remaining with the present system under the Canada Assistance Plan. Provinces and territories which sign new child care agreements with the federal government before April 1, 1990, would get funds retroactive to April 1, 1988. The day care provisions of CAP would be repealed when and if all provinces and territories agree to switch to the new funding arrangements. If some governments decided to stay with CAP, federal officials say spending under the Canada Child Care Act would be less than the maximum of $4 billion over seven years specified in the legislation.

13. Under the new act, provinces and territories which spend less than 70 percent of the national average spending on child care would get "top-up" grants from the federal government. If the national average in any given year was $80 in child care spending for every child under 15, for example, and Province X spent only $50 a child, it would get a top-up of $6 a child. ($80 x 70 percent = $56. $56 - $50 of spending in Province X = $6.) The legislation further stipulates that no province can get more than 90 percent of its operating and capital costs from the federal government. The nature of the formula makes it impossible to determine in advance with much precision what the financial arrangements for each province would be from year to year.

14. Townson, Monica. The Costs and Benefits of a National Child Care System for Canada (Ottawa: 1986), pp. 15-16. A study prepared for the Canadian Day Care Advocacy Association.

15. Special Committee on Child Care. Sharing the Responsibility (Ottawa: Queen's Printer for Canada, 1987), pp. 129-131.

16. Blain, Christine. Government Spending on Child Care in Canada (Ottawa: 1985). A background study prepared for the Task Force on Child Care.

17. In 1984, the poverty line for a family of three ranged from $12,734 for a rural area to $17,365 for a metropolitan centre of 500,000 or more. The poverty line for a family of four in 1984 ranged from $14,720 for a rural area to $20,010 for a metropolitan area. See the National Council of Welfare's report 1988 Poverty Lines (April 1988) which gives poverty lines for 1980 through 1988.

18. Townson, pp. 15-18. The analysis in her report assumed that salaries would increase starting in 1984. Under our proposal, the increases would come into effect in 1988 and then rise by four percent a year.

19. Townson, p. 15. The ratios are supported by the Canadian Day Care Advocacy Association.

20. The calculation used an average cost of $5,000 a year for each child care space - a figure derived from the Townson study - and inflated the result by four percent a year from 1988 to 1995.

21. Our calculations began with the income distribution for married couples with children, both spouses in the labor force, as reported in Statistic Canada's Earnings of Men and Women, 1987 (Ottawa: Minister of Supply and Services Canada, 1988). We assumed the cost of a child care space in 1986 would have been $5,000 under a reformed system and estimated the amount of fees parents in the different income classes would have paid for their children under our proposals. Then, we took the amount of fees that could have been raised in 1986 and inflated the figure at four percent a year to 1995.

22. We took Townson's calculations as a rough guide and inflated the figures by four percent a year to 1995.

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NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, teachers, business persons, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, tax reform, poverty lines and poverty statistics, the retirement income system, the aged, medicare, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

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